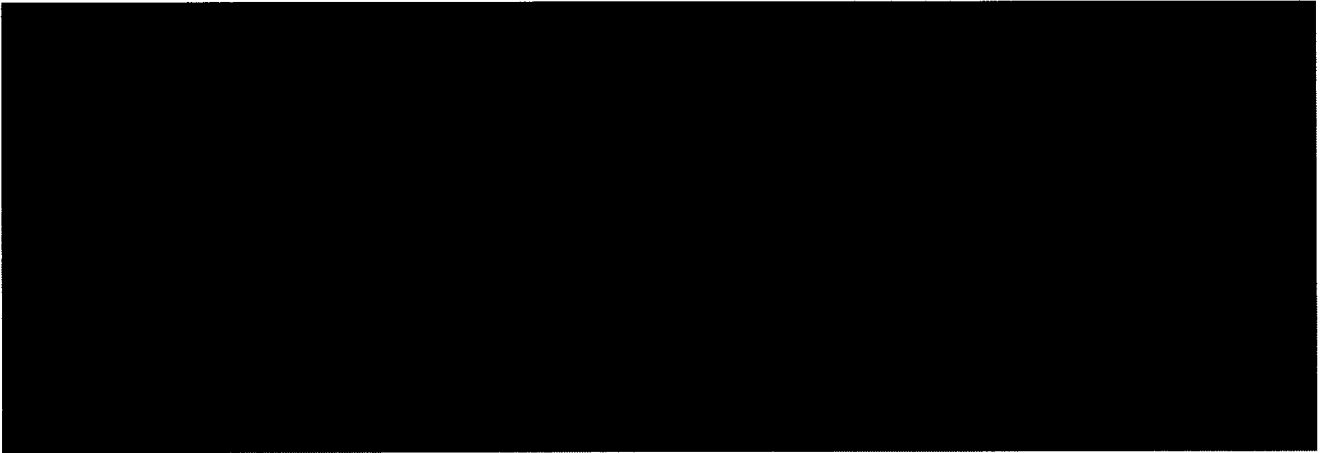


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CROSSLAKE COMMUNICATIONS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)



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CROSSLAKE COMMUNICATIONS

STATEMENT OF NET POSITION DECEMBER 31, 2015

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

CURRENT ASSETS:

Cash
Due from Customers, Less Allowance for
Uncollectibles of \$2,219
Other Accounts Receivable
Interest Receivable
Materials and Supplies
Prepayments
Total Current Assets

INVESTMENTS AND OTHER ASSETS:

Unrestricted Investment Securities
Restricted Investment Securities
Other Investments
Total Investments and Other Assets

PROPERTY, PLANT AND EQUIPMENT:

Telecommunications Plant In Service
Video Plant In Service
Other Nonregulated Equipment
Plant Under Construction
Total
Less Accumulated Depreciation
Net Property, Plant and Equipment

TOTAL ASSETS

DEFERRED OUTFLOWS OF RESOURCES:

Pension Related
Loss on Refunding
Total Deferred Outflows of Resources

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

The accompanying notes are an integral part of the financial statements.

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CROSSLAKE COMMUNICATIONS

STATEMENT OF NET POSITION (Continued) DECEMBER 31, 2015

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

CURRENT LIABILITIES:

- Current Portion of Long-Term Debt
- Accounts Payable
- Advance Payments
- Deposits
- Total Current Liabilities

NON-CURRENT LIABILITIES:

- Long-Term Debt
- Net Pension Liability
- Postemployment Benefits
- Total Non-Current Liabilities

DEFERRED INFLOWS OF RESOURCES

NET POSITION:

- Invested in Capital Assets, Net of Related Debt
- Restricted:
 - Revenue Bond Debt Service
 - Revenue Bond Reserve
- Unrestricted
- Total Net Position

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

The accompanying notes are an integral part of the financial statements.

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CROSSLAKE COMMUNICATIONS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION YEAR ENDED DECEMBER 31, 2015

OPERATING REVENUES:

Local Network
Network Access
Lakes Long Distance
Video Services
Internet Services
Other Nonregulated
Miscellaneous
Uncollectibles, Net
Total Operating Revenues

OPERATING EXPENSES:

Plant Specific
Depreciation
Plant Support
Customer
Video Signal Purchases
Internet Services
Other Nonregulated
General and Administrative
Total Operating Expenses

OPERATING INCOME

OTHER INCOME (EXPENSE):

Interest Income
Interest Expense
Bond Issuance Costs
Net Decrease in the Fair Value of Investments
Net Other Income (Expense)

CHANGE IN NET POSITION BEFORE OPERATING TRANSFERS

OPERATING TRANSFER TO CITY OF CROSSLAKE

CHANGE IN NET POSITION

NET POSITION - Beginning of the Year (as Restated)

NET POSITION - End of the Year

The accompanying notes are an integral part of the financial statements.

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CROSSLAKE COMMUNICATIONS

STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES:

- Cash Received from Customers
- Cash Received from Others
- Cash Payments to Suppliers for Goods and Services
- Cash Payments to Employees for Services
- Net Cash Provided By Operating Activities

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

- Increase in Deposits
- Operating Transfers to City of Crosslake
- Net Cash Used In Noncapital Financing Activities

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

- Additions to Property, Plant and Equipment
- Sales Proceeds, Net of Cost of Removal of Property, Plant and Equipment
- Proceeds from Issuance of Long-Term Debt
- Principal Payments of Long-Term Debt
- Interest Paid on Debt
- Decrease in Materials and Supplies
- Net Cash Used In Capital and Related Financing Activities

CASH FLOWS FROM INVESTING ACTIVITIES:

- Sales of Restricted and Unrestricted Investment Securities
- Purchases of Other Investments
- Interest Received on Cash Investments
- Net Cash Provided By Investing Activities

NET CHANGE IN CASH

CASH at Beginning of Year

CASH at End of Year

RECONCILIATION OF OPERATING INCOME TO NET CASH

PROVIDED BY OPERATING ACTIVITIES:

- Operating Income
- Adjustments to Reconcile Operating Income to Net Cash
 - Provided By Operating Activities:
 - Depreciation
 - Changes in Assets and Liabilities:
 - Due from Customers
 - Other Accounts Receivable
 - Prepayments and Other Assets
 - Accounts Payable
 - Advance Payments
 - Net Pension Liability
 - Deferred Outflows of Resources
 - Deferred Inflows of Resources
 - Postemployment Benefits
- Net Cash Provided By Operating Activities

The accompanying notes are an integral part of the financial statements.

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CROSSLAKE COMMUNICATIONS

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Crosslake Communications is an enterprise fund (the Fund) of the City of Crosslake, Minnesota (the City). The Fund is a full service communications provider to residents and businesses in the City. Services provided include voice, video, broadband, and computer repair. The revenues reported on the statement of revenues, expenses and changes in net position reflect the relative importance of each type of service. The principal markets for these services are local residential and business customers residing in the City of Crosslake. The Fund is governed by the Crosslake City Council.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America including certain accounting practices prescribed by the Federal Communications Commission (FCC) and the Minnesota Public Utilities Commission.

The Fund operates as an enterprise fund of the City of Crosslake. Enterprise Funds are used to account for operations (1) that are financed and operated in a manner similar to a private business enterprise where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management accountability, or other purposes. The financial statements in this report are prepared on the accrual basis of accounting.

The Fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with the Fund's principal ongoing operation. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Accounting Estimates

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

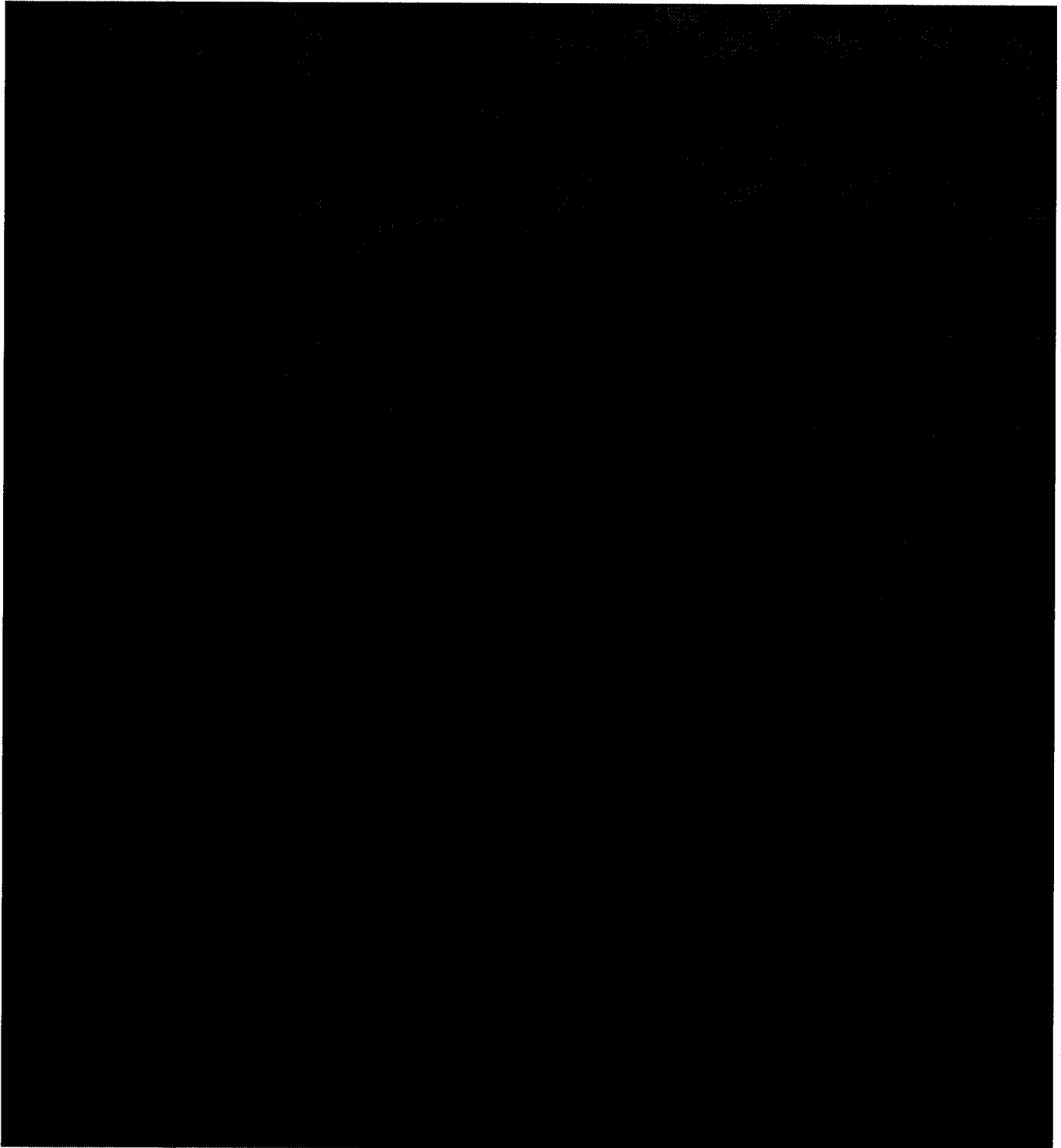
Receivables

Receivables are stated at the amounts the Fund expects to collect from outstanding balances. The Fund provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after the Fund has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the receivable accounts. Changes in the valuation allowance have not been significant to the financial statements.

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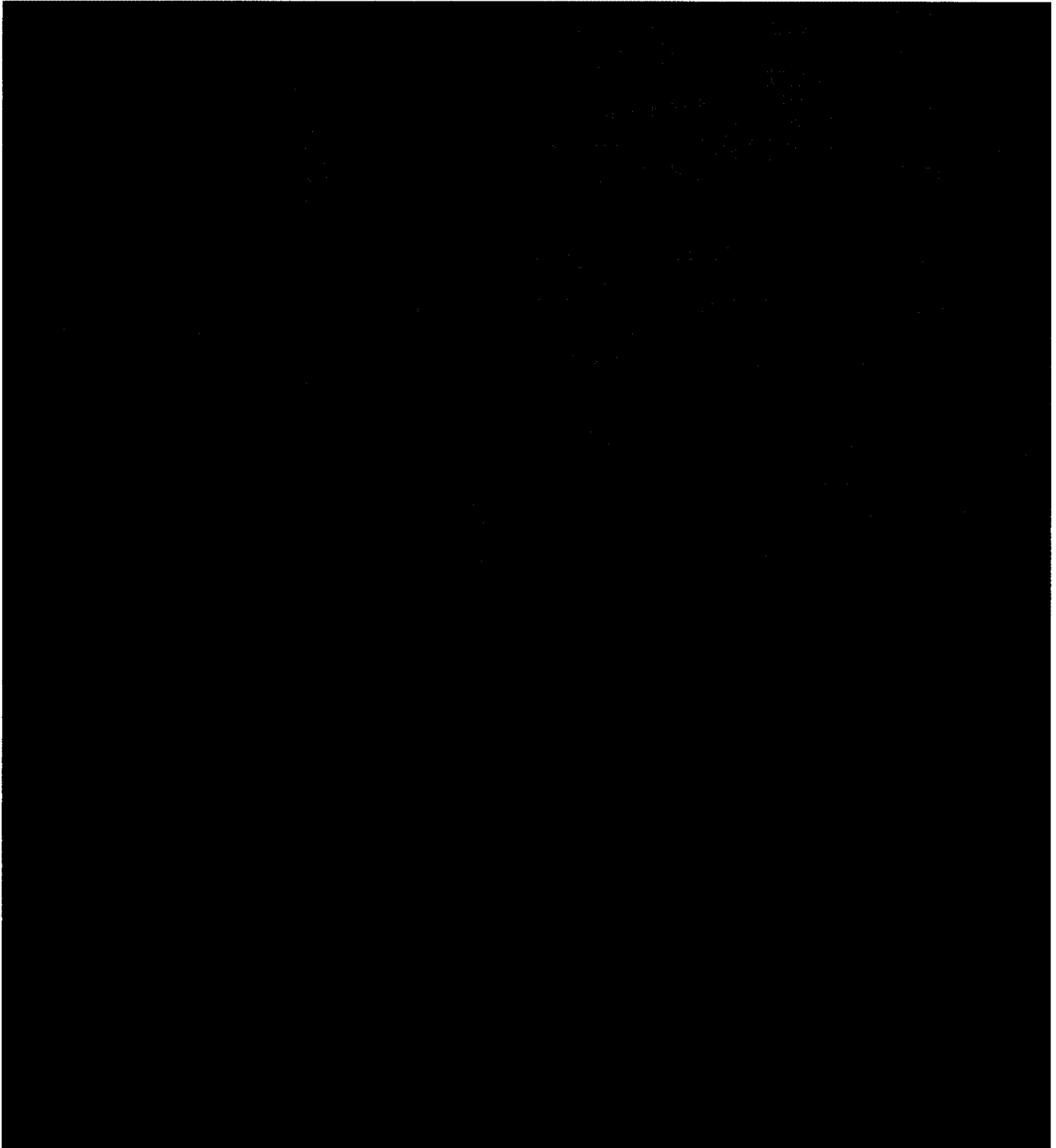
CROSSLAKE COMMUNICATIONS

NOTES TO FINANCIAL STATEMENTS



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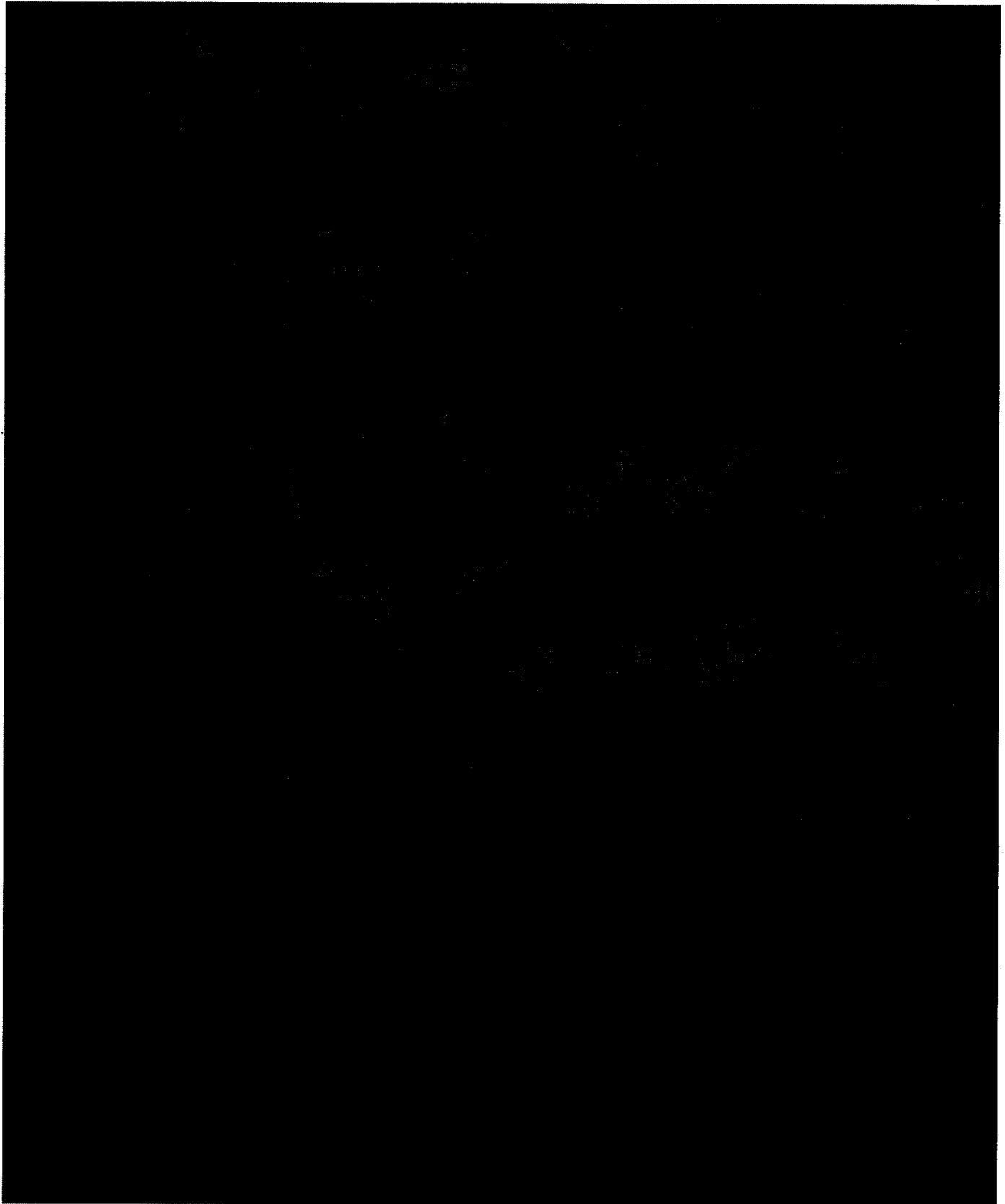
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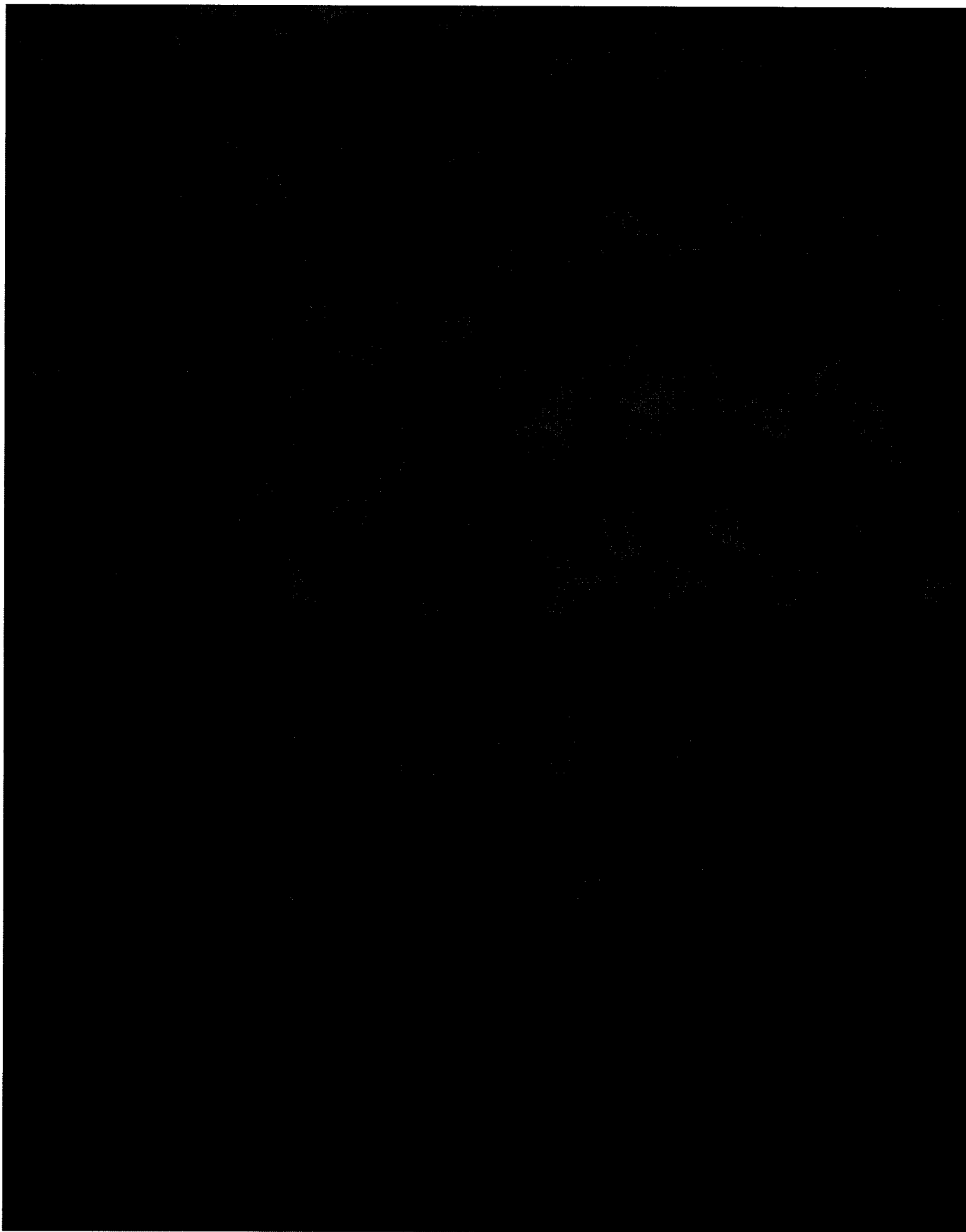
CROSSLAKE COMMUNICATIONS

NOTES TO FINANCIAL STATEMENTS



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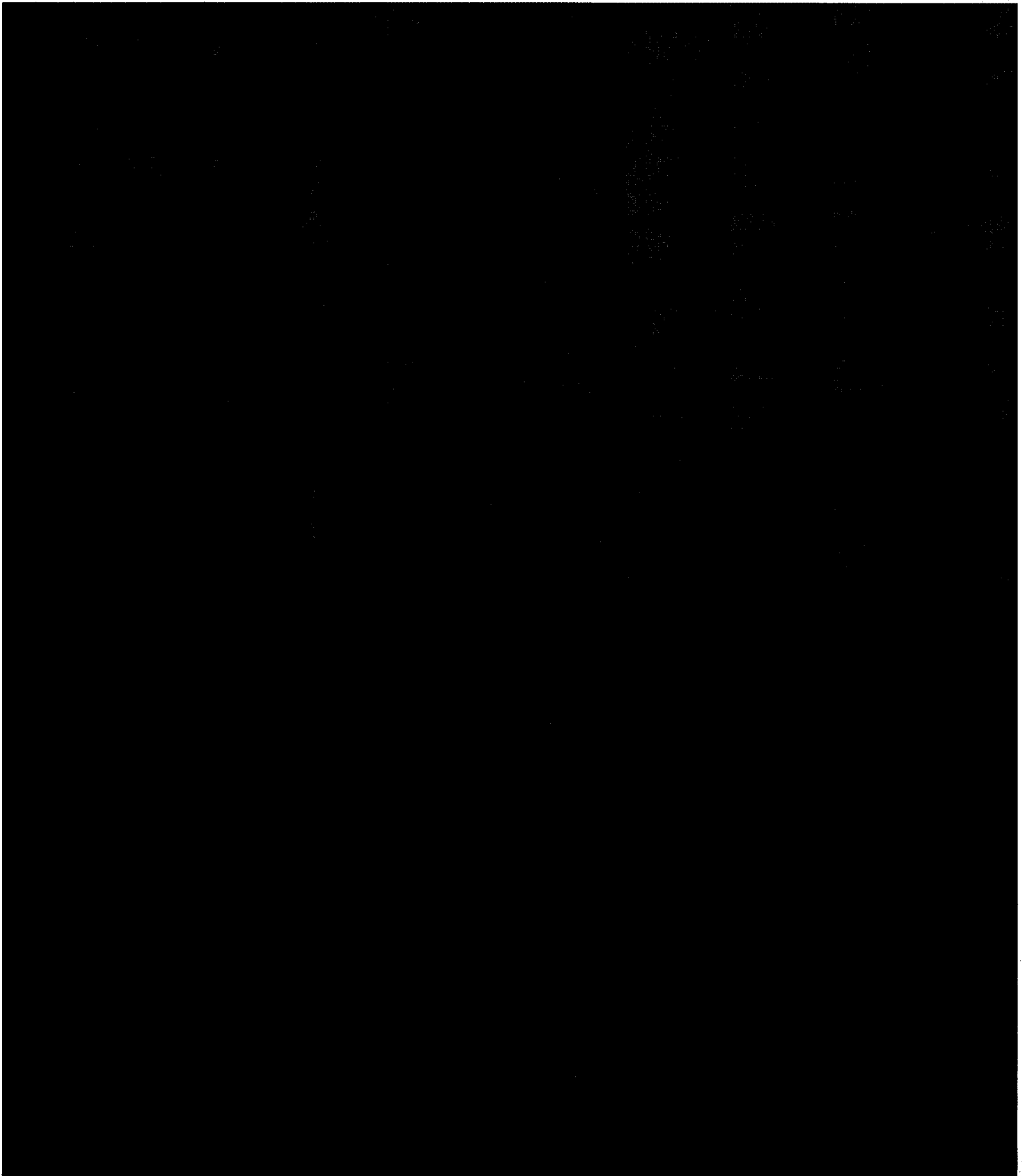
CROSSLAKE COMMUNICATIONS



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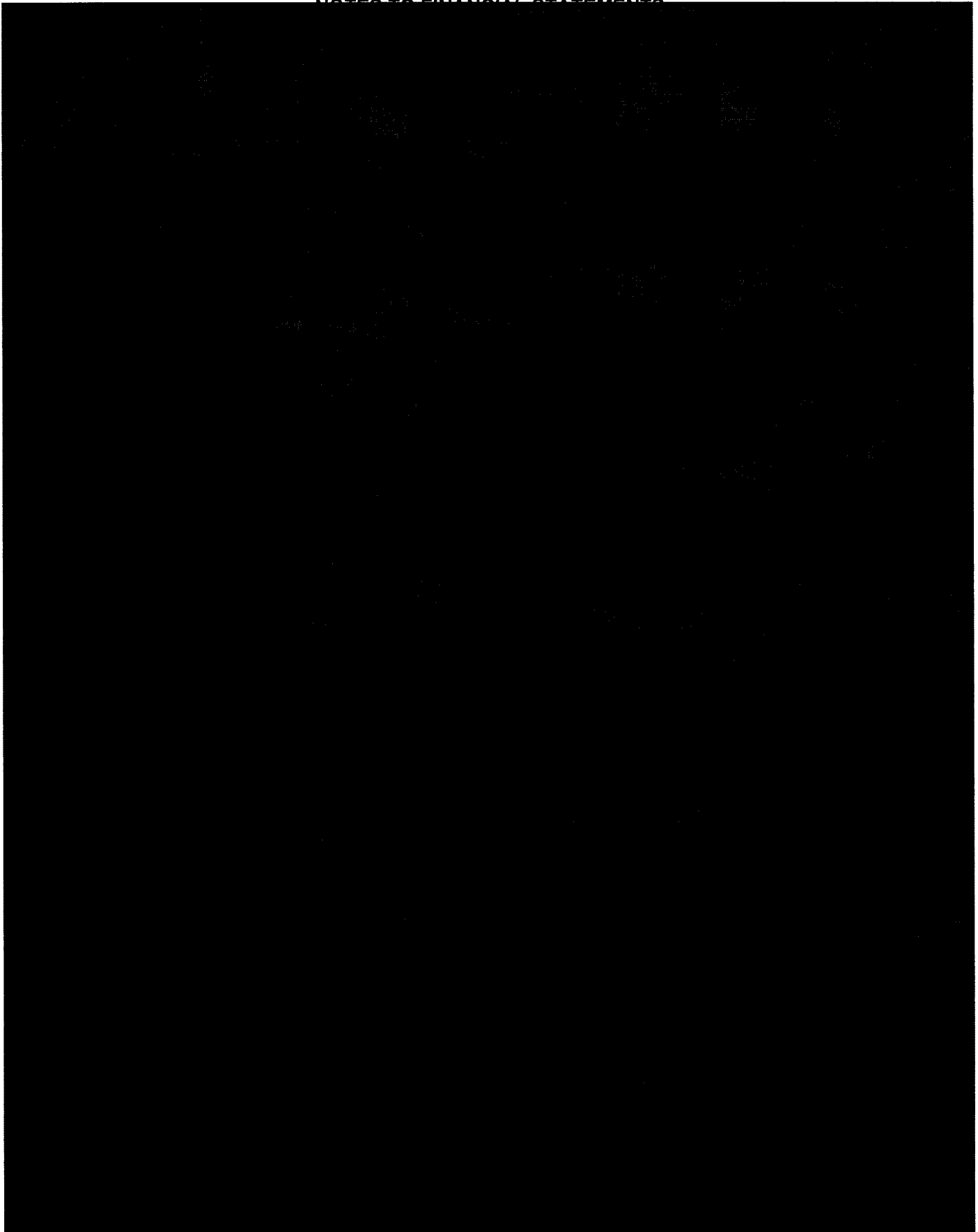
NOTES TO FINANCIAL STATEMENTS



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CROSSLAKE COMMUNICATIONS

NOTES TO FINANCIAL STATEMENTS



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CROSSLAKE COMMUNICATIONS

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - CASH AND INVESTMENTS (Continued)

Net decrease in the fair value of investments consists of the following:

Realized Gains on Investments Sold
Unrealized Losses on Investments
Net Decrease in Fair Value of Investments



NOTE 3 - OTHER NONREGULATED ACTIVITIES

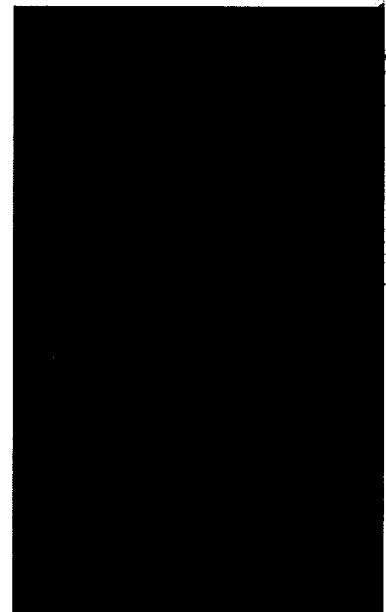
The following is a summary of other nonregulated operations excluding depreciation, included in operating revenue and expenses on the statement of revenues, expenses and changes in net position:

Revenues:

Internet Service - Emily
DSL Modem Revenue
Computer Parts/Web Hosting
PC Repairs and Parts
Installation and Repair
Voice Mail Revenue
Other Revenue
Equipment Sales
Total Revenues

Direct Expenses:

PC Repairs and Parts
DSL Installs and Modems
Other Expenses
Total Direct Expenses
Net Revenues



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CROSSLAKE COMMUNICATIONS

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - PROPERTY AND EQUIPMENT

Activities for property and equipment that are capitalized by the Fund are as follows:

| | Beginning Balance | Additions | Retirements/ Adjustments | Ending Balance |
|--|----------------------|-----------|-----------------------------|-------------------|
| Telecommunications Plant: | | | | |
| Land | | | | |
| Motor Vehicles | | | | |
| Garage Work Equipment | | | | |
| Other Work Equipment | | | | |
| Buildings and Towers | | | | |
| Furniture | | | | |
| Office Equipment | | | | |
| General Purpose Computer | | | | |
| Central Office Switching Equip | | | | |
| Central Office Transmission Equipment | | | | |
| Buried Cable Facilities | | | | |
| Nonregulated Equipment | | | | |
| Plant Under Construction | | | | |
| Total Telecommunications P | | | | |
| Video Plant: | | | | |
| Work Equipment | | | | |
| Towers and Antennas | | | | |
| Headend Equipment | | | | |
| Circuit Equipment | | | | |
| Services | | | | |
| Main Cable and Outside Electr | | | | |
| Digital Converter Boxes | | | | |
| Total Video Plant | | | | |

NOTE 5 - LONG-TERM DEBT

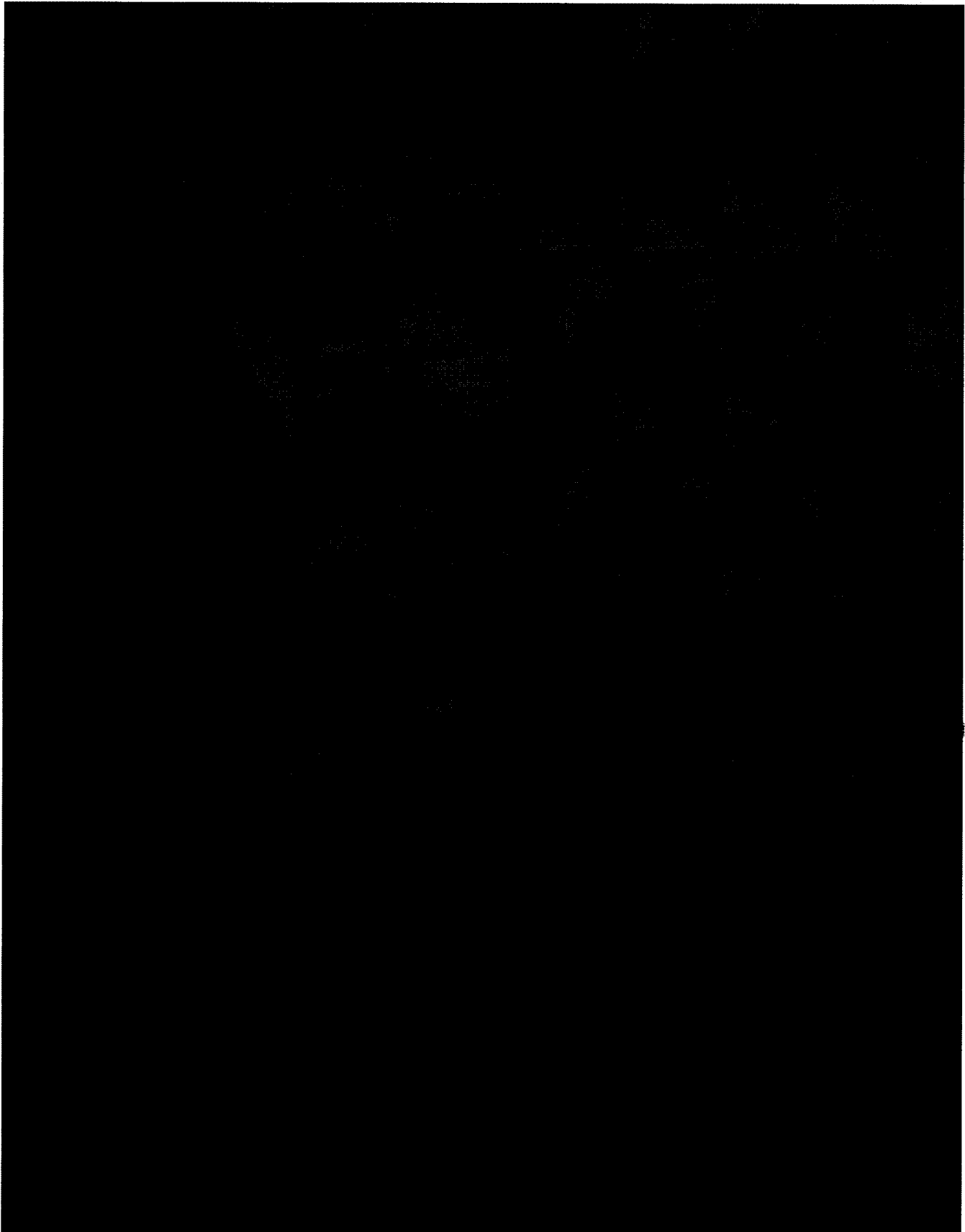
Long-term debt is as follows:

| Description of Issue |
|--|
| Telephone Utility Revenue Bonds, Series 2015A |
| Less: Current Portion |
| Net Long-Term Debt |

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CROSSLAKE COMMUNICATIONS

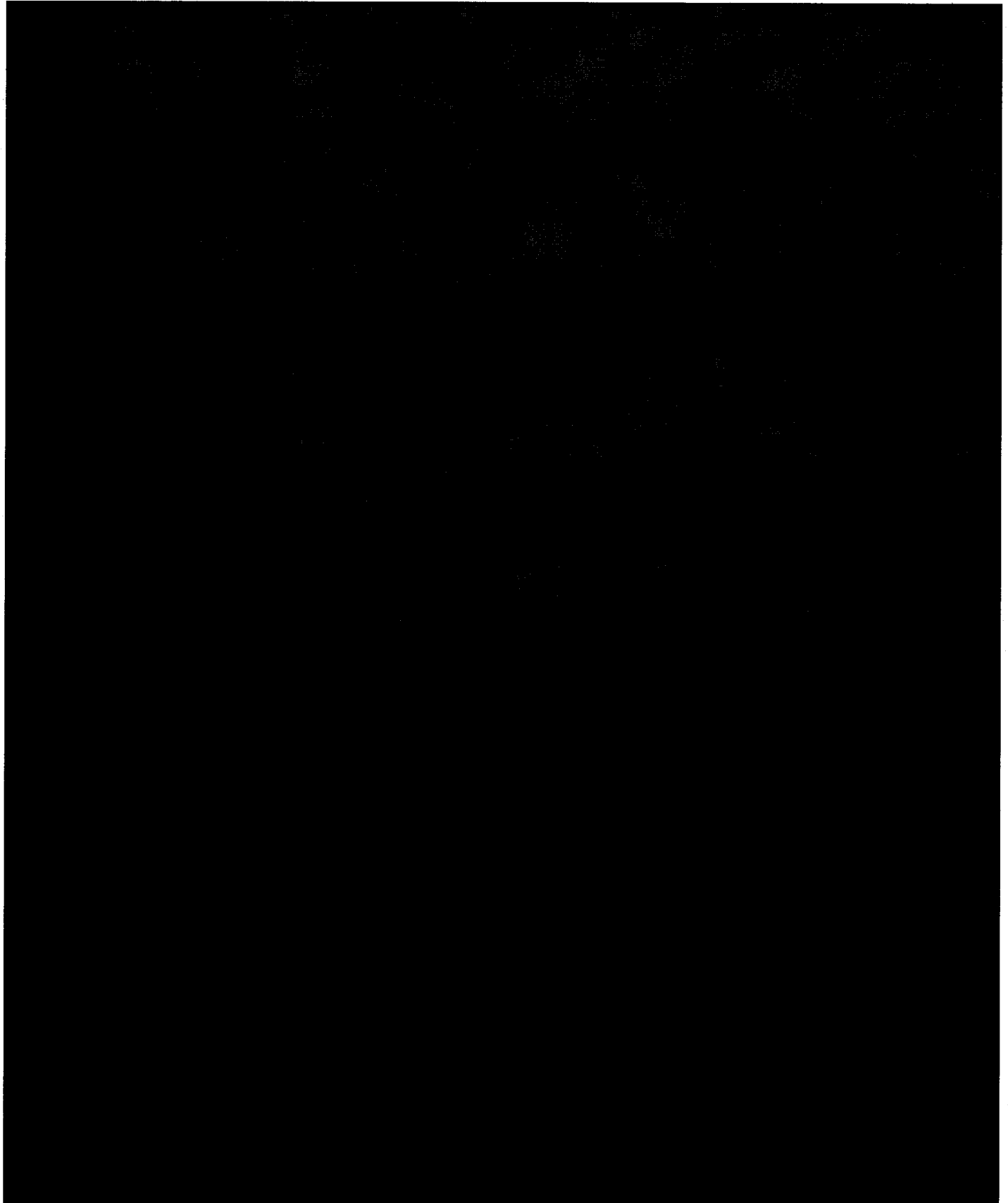
NOTES TO FINANCIAL STATEMENTS



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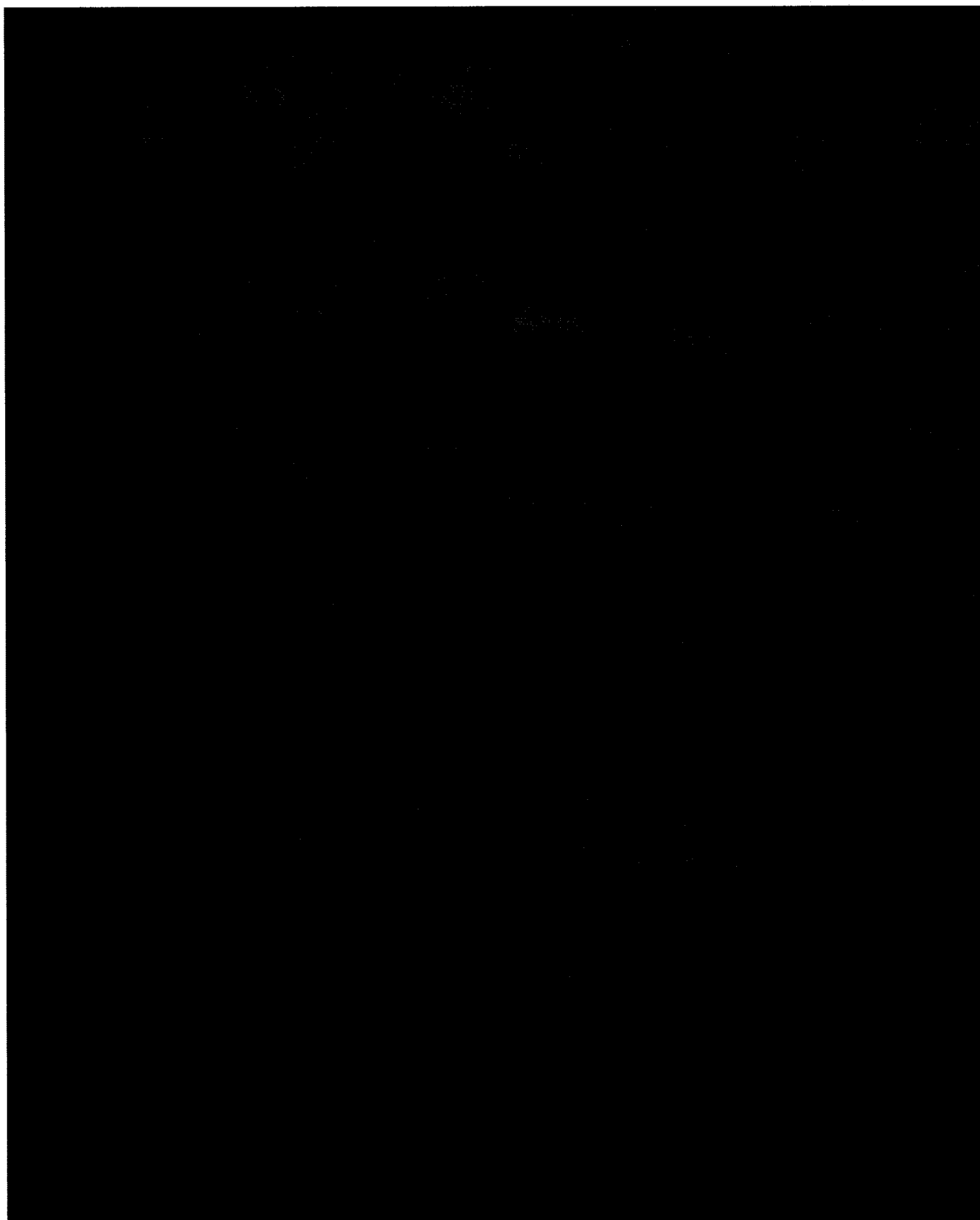
NOTES TO FINANCIAL STATEMENTS



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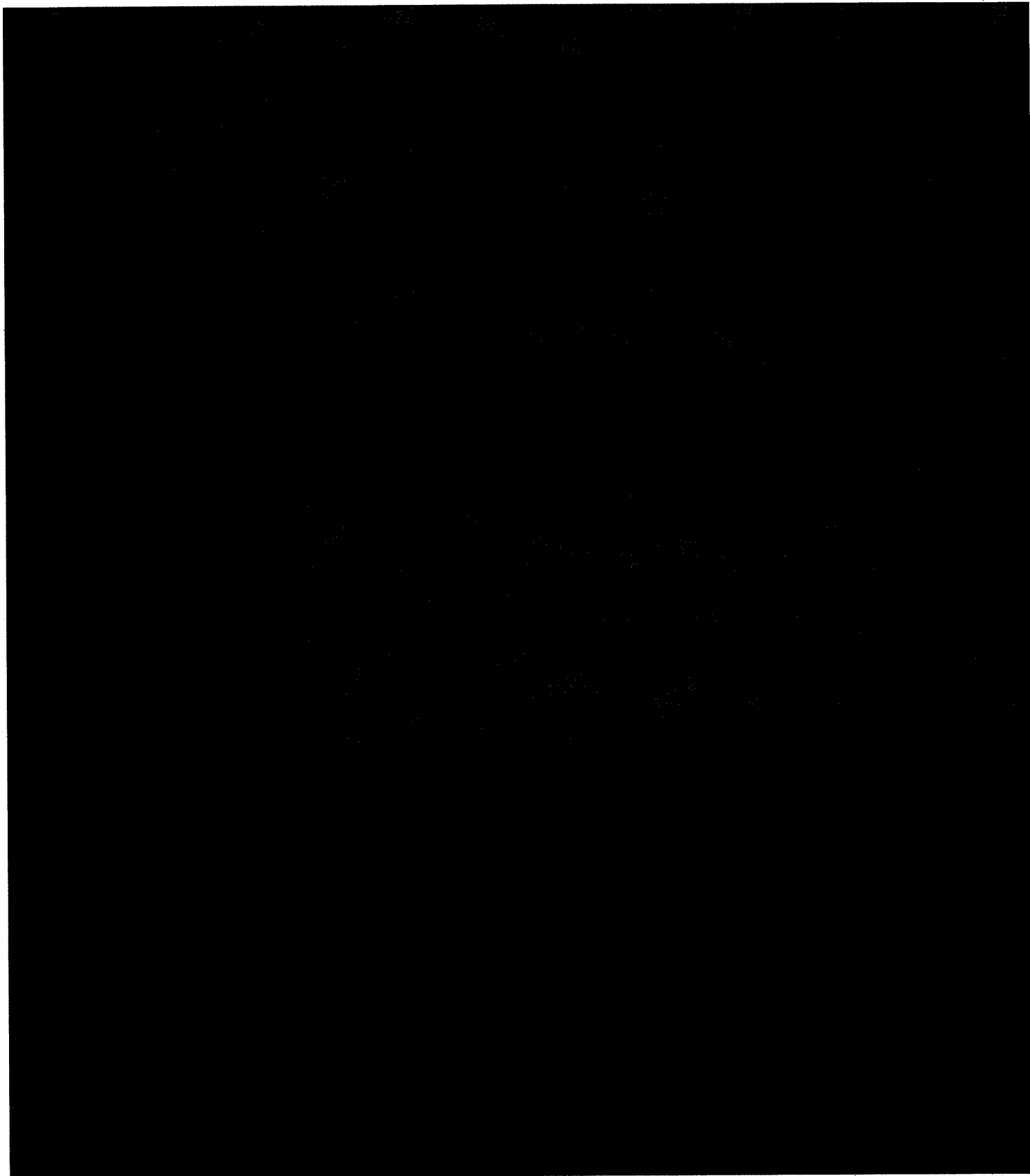
NOTES TO FINANCIAL STATEMENTS



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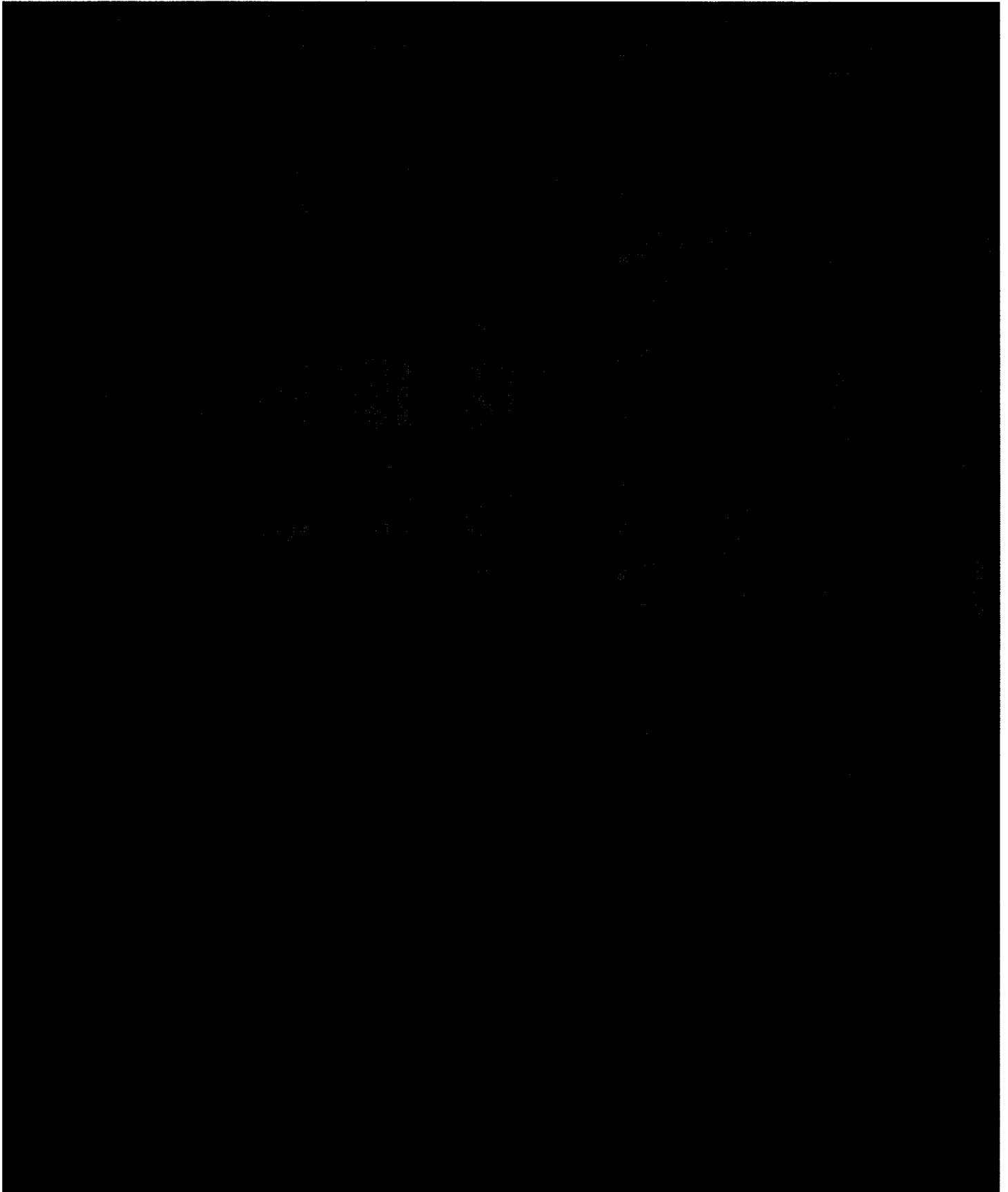
NOTES TO FINANCIAL STATEMENTS



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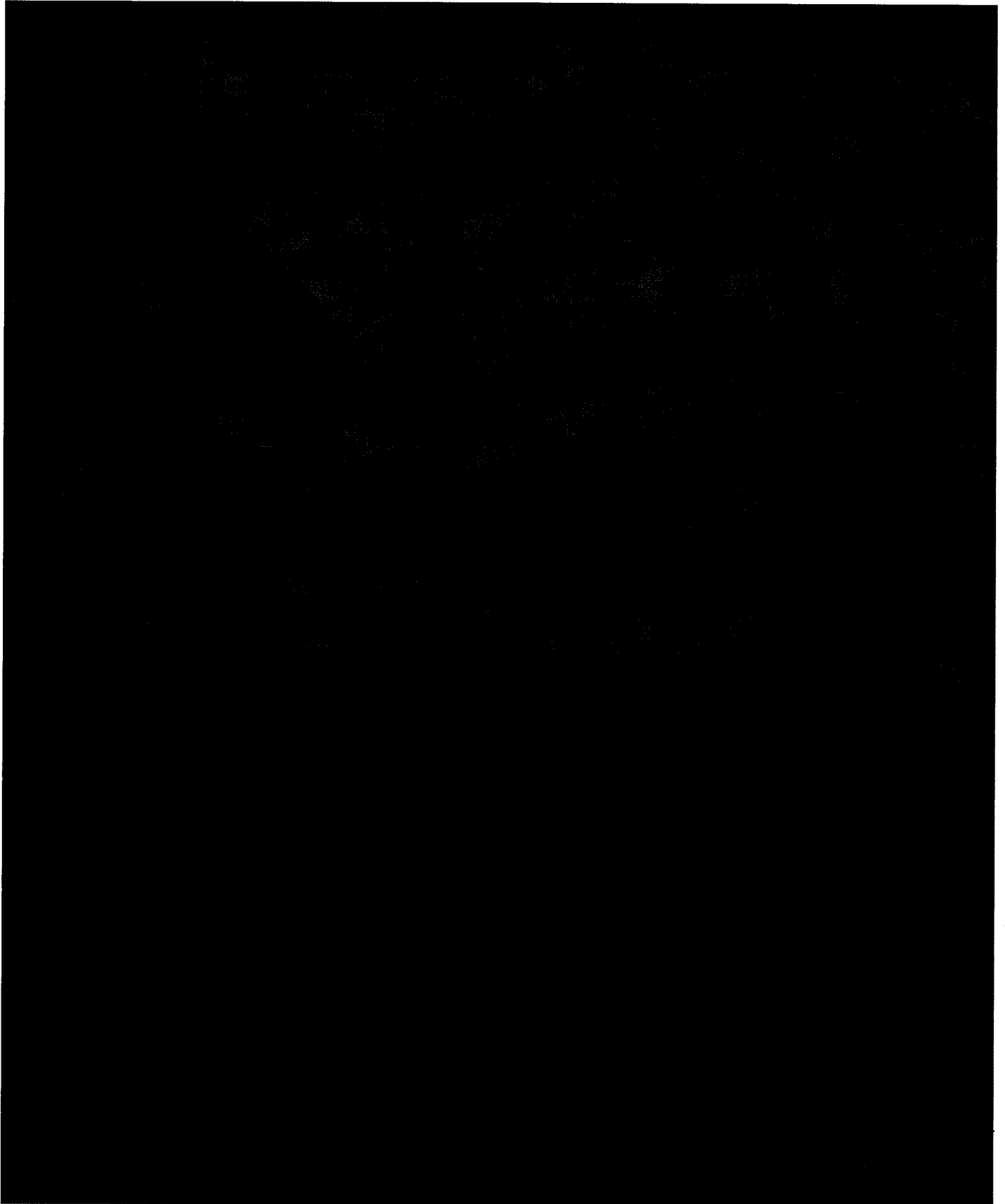
NOTES TO FINANCIAL STATEMENTS



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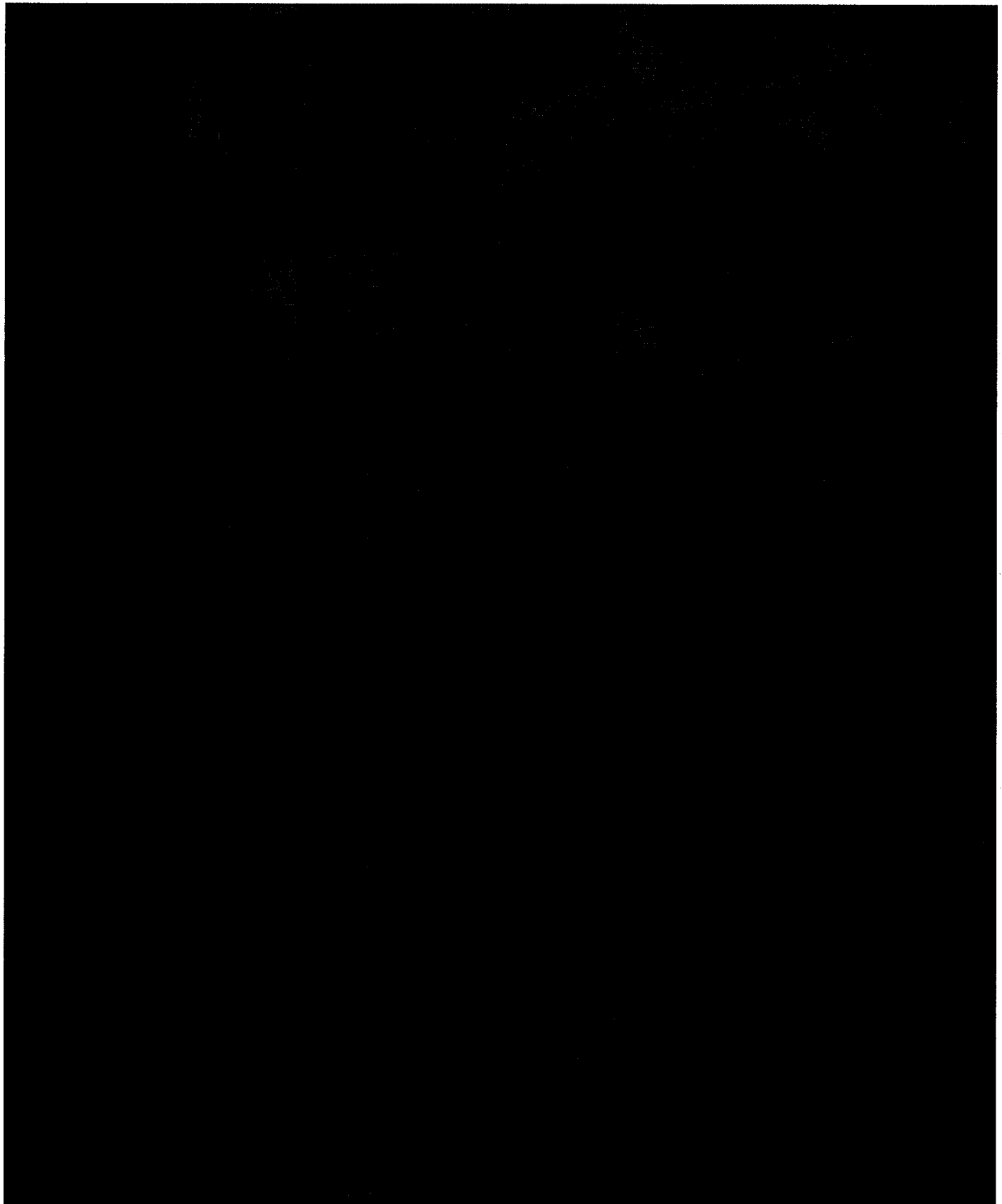
NOTES TO FINANCIAL STATEMENTS



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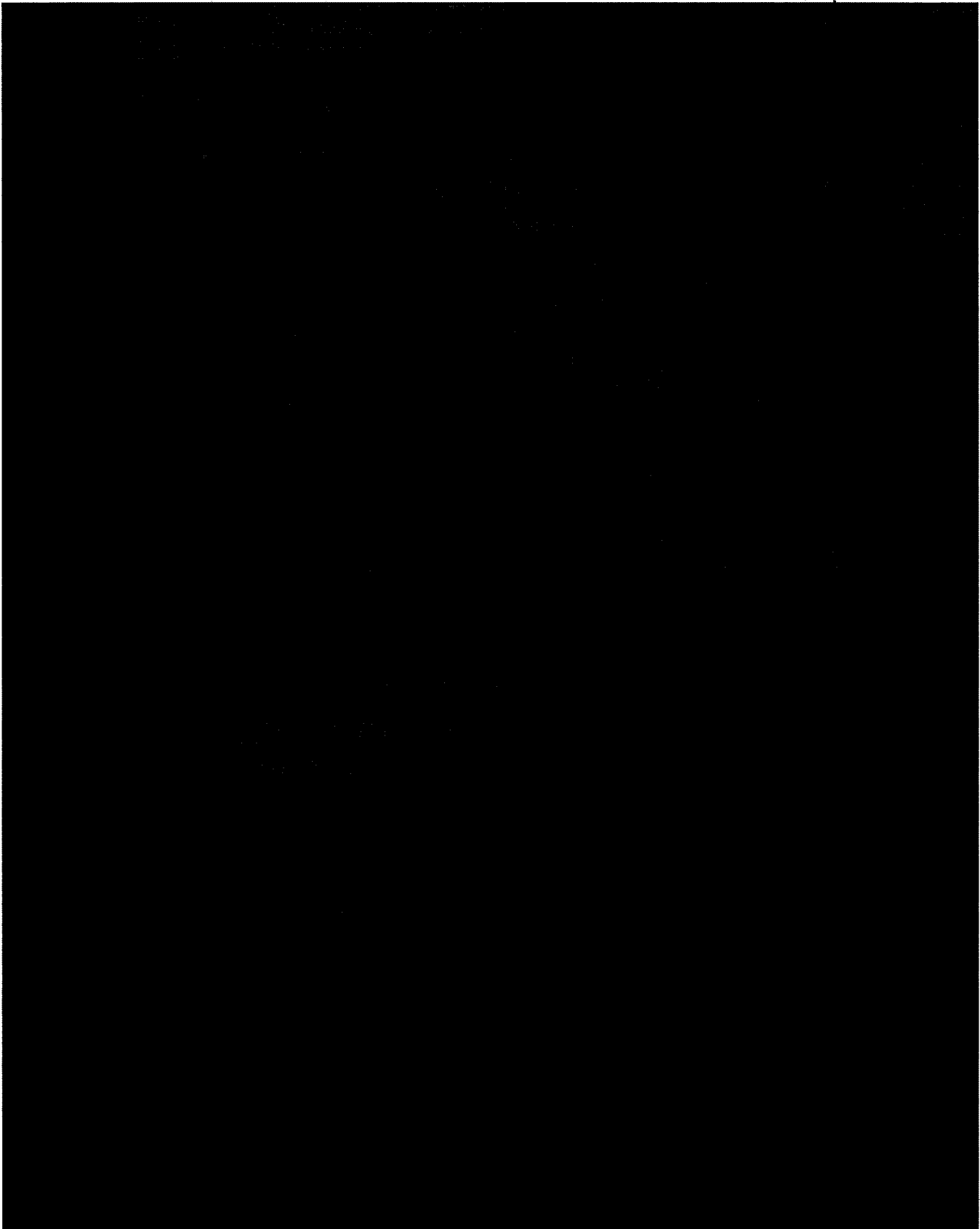
NOTES TO FINANCIAL STATEMENTS



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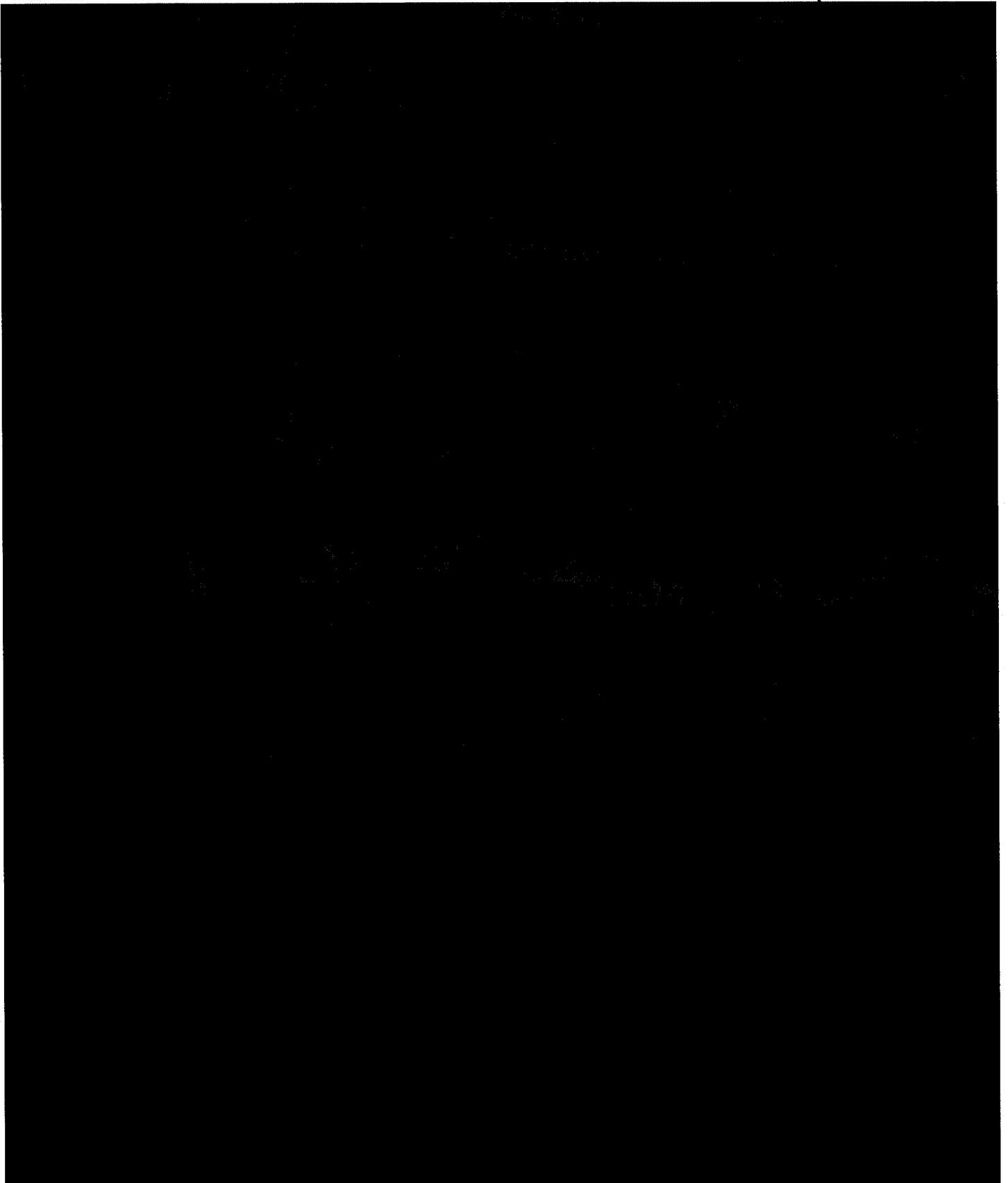
NOTES TO FINANCIAL STATEMENTS



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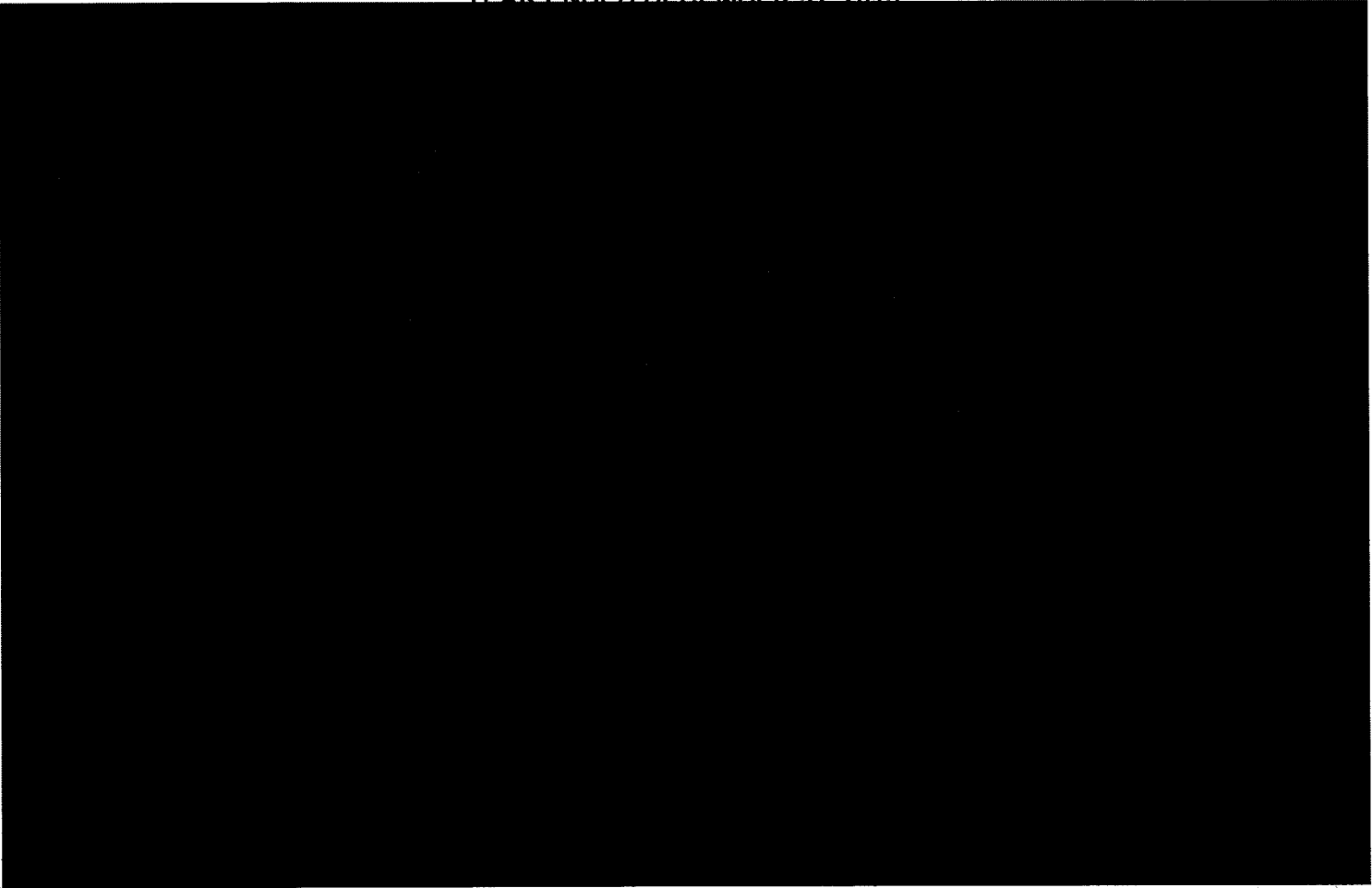
NOTES TO FINANCIAL STATEMENTS



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CROSSLAKE COMMUNICATIONS

**REQUIRED SUPPLEMENTARY INFORMATION GASB NO. 68 (LAST TEN YEARS*)
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF MINNESOTA
YEAR ENDED DECEMBER 31, 2015**



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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

Members of the City Council
Crosslake, Minnesota